

**MINUTES OF A MEETING  
KENTUCKY WORKERS' COMPENSATION FUNDING COMMISSION  
BOARD OF DIRECTORS**

**September 27, 2017**

**Opening of Meeting:**

1. A regular meeting of the Board of Directors, Kentucky Workers' Compensation Funding Commission was held on September 27, 2017, in the Commission's conference room, located at 42 Mill Creek Park, Frankfort, Kentucky. Madam Chair Judy Long called the meeting to order.
2. Ms. Estee Jackson announced the meeting will be recorded in accordance with Kentucky Revised Statute 61.835.
3. Madam Chair Long verified press notice and asked for roll call.

**Directors Present:**

4. Judy Long, Self-Insured Employers Representative  
Brooken Smith, Chief of Staff and Designee for Secretary Derrick Ramsey, Labor Cabinet  
Duran Hall, Commercially Insured Employers  
Ryan Barrow, Designee for Secretary William Landrum, Finance & Administration Cabinet  
Michelle Landers, KEMI, Insurance Representative  
Stephanie Rich, Designee for Secretary Terry R. Gill, Jr., Cabinet for Economic Development

**Others Present:**

5. Reuben Jones, Executive Director, KWCFC  
Louie Hord, Director of Fiscal Operations, KWCFC  
Renee Haddix, Director of Audit and Collections, KWCFC  
Lisa King, Audit Review Manager, KWCFC  
Estee Jackson, Administrative Services Officer, KWCFC  
Michael Swansburg, General Counsel, Labor Cabinet  
Mike Nemes, Deputy Secretary, Labor Cabinet  
Steve Lattanzio, Actuarial and Technical Solutions  
Kim Bechtel, Office of Financial Management  
Bob Swisher, Commissioner, Department of Workers' Claims  
Robert Milligan, Deputy Commissioner, Department of Workers' Claims

Charlie Donovan, Assistant Director, Division of Workers' Compensation Funds  
Chris Herndon, Division of Budgets, GAPS  
Prentice Harvey, Government Strategies Firm  
Christina Gordley, Budget Analyst, Office of State Budget Director

**Approval of Minutes:**

6. Mr. Duran Hall made a motion to approve the July 26, 2017 Regular Meeting Minutes. Ms. Stephanie Rich seconded the motion. Motion carried.

**Financial Report:** Louie Hord (report on file for referral)

7. Mr. Louie Hord reviewed the year to date budget versus actual expenses for KWCFC, the year to date internal financial statements, and fiscal year to date interagency transfers made by KWCFC for the period ending August 30, 2017.
8. Mr. Duran Hall made the motion to accept the Financial Reports as presented to the Board. Mr. Brooken Smith seconded the motion. Motion carried.

**Investment Report:** Kim Bechtel (report on file for referral)

9. Ms. Kim Bechtel reviewed the Investment Positions/Strategies stating the total value of the Special Fund as of August 31, 2017 was approximately \$590M compared to \$540M on June 30, 2017. The Coal Workers' Pneumoconiosis (CWP) Fund balance was approximately \$1M as of August 31, 2017 and is in the Limited-Term Pool. The Self-Insurance Fund value is approximately \$10.8M which is down from \$11.4M. The Administrative Fund balance is \$292K for a total of \$603M for all funds.
10. Ms. Bechtel reviewed the Actuarial Projections showing projections verses actual results, Securities Lending Results, and the CWP Fund as of August 31, 2017. She also reviewed the Special Fund Monthly Cash Projections.
11. Mr. Brooken Smith asked what accounts for the difference between the actuarial projections and contributions, \$147M, and the actual results contributions of \$165M?
12. Ms. Bechtel explained, the numbers are from the report generated June 30, 2016 and she has not been able to update the report. Mr. Ryan Barrow added the majority of it is timing and once it is updated, you will see more similarities.
13. Ms. Bechtel reviewed the monthly cash projections for the Special Fund. She stated there would be a low point of approximately \$35M for cash in October 2017. Based on the current cash position report, treasuries will start maturing in November 2017 and increase the cash balance for the future.

14. Ms. Bechtel reviewed the Securities Lending Results as of August 31, 2017. She said securities lending utilization increases in July and August because brokers pay back their borrowings in June and they start borrowing again in July. Ms. Bechtel added the same tends to hold true for September, December, and March.
15. Mr. Barrow added since the Board is currently moving from the Treasury income matching strategy, the Office of Financial Management (OFM) does not have any recommendations for investments. Once an investment firm is hired, they will make investment recommendations.
16. Mr. Duran Hall made the motion to accept the Investment Report as reported. Ms. Stephanie Rich seconded the motion. Motion carried.

**Actuary Report:** Steve Lattanzio (presentation on file for referral)

17. Mr. Steve Lattanzio presented the firm's actuarial analysis of the Special Fund and the Coal Workers' Pneumoconiosis (CWP) Fund. Mr. Lattanzio's presentation provided analysis and trends to assist the Board with its requirement to set the 2018 Special Fund Rate. In addition, an analysis for paying off the CWP Fund liability was presented. All questions by the Board were answered and Mr. Lattanzio informed the Board he was available if other questions or concerns arose.
18. Mr. Brooken Smith made the motion to accept the Actuarial Report. Mr. Duran Hall seconded the motion. Motion carried.

**2018 Assessment Rate:** Reuben Jones (report on file for referral)

19. Mr. Reuben Jones made a presentation concerning legal requirements followed in recommending the 2018 rate and discussed alternative rates for the Special Fund. Based upon the actuary information and legal requirements, Mr. Jones stated the KWCFC staff recommendation for the 2018 Special Fund assessment rate on all employers is 6.27% (point estimate). The other rates are set by statute and will be announced as well. Rates will be effective on January 1, 2018.
20. Mr. Duran Hall recommended keeping the rate at 6.29% for the ease of doing business and continuity. Madam Chair Long and Ms. Michelle Landers added there is a lot that goes into making those insignificant changes. Mr. Hall provided an estimate of those costs and actions required to implement the very small rate change.
21. After further discussion, Mr. Duran Hall made the motion to set the Special Fund assessment rate at 6.29%. Mr. Ryan Barrow seconded the motion. Motion carried.

**Audit & Collections Update:** Renee Haddix (report on file for referral)

22. Ms. Renee Haddix presented an update on the number of audits ongoing and completed.

23. Ms. Stephanie Rich made the motion to accept the Audit and Collections report as presented. Mr. Duran Hall seconded the motion. Motion carried.

**Executive Session:**

24. Madam Chair Long asked for a motion to go into Executive Session under KRS 61.810 (1) (c), (f) and (j) to discuss litigation, personnel, and penalty waivers.

25. Mr. Brooken Smith made the motion to go into Executive Session. Mr. Duran Hall seconded the motion. Motion carried.

**Open Session:**

26. Mr. Duran Hall made the motion to return to open session. Ms. Stephanie Rich seconded the motion. Motion carried.

**Other Business:**

**Penalty Waivers**

27. Mr. Duran Hall made a motion to waive penalty in the amount of \$2,778.75 on a one-time basis for the late filing of Star Indemnity & Liability Insurance Company's 2<sup>nd</sup> quarter 2017 Quarterly Premium Report. Mr. Brooken Smith seconded the motion. Motion carried.

28. Mr. Duran Hall made a motion to deny the penalty waiver request in the amount of \$54.06 for the amended filing of Akebono Corporation, 1<sup>st</sup> quarter, 2017 Quarterly Premium Report. Mr. Brooken Smith seconded the motion. Motion carried.

## Personnel

29. Ms. Michelle Landers made a motion to hire Olivia Orrender as an Insurance Compliance Auditor III at a salary of \$50,500. Mr. Ryan Barrow seconded the motion. Motion carried.
30. Ms. Michelle Landers made a motion to hire Branden Burdette as an Insurance Compliance Auditor I at a salary of \$37,800. Mr. Ryan Barrow seconded the motion. Motion carried.
31. Ms. Michelle Landers made a motion to hire Stephanie Jones as an Administrative Services Officer at a salary of \$37,800. Mr. Ryan Barrow seconded the motion. Motion carried.

## Contracts

32. Mr. Louie Hord provided an update on contracts. The Request for Proposal (RFP) for the legal firm and investment firm are currently in legal review and following approval will be issued.
33. Mr. Hord asked for a motion to pay additional legal fees through July 31, 2017 adding an additional \$1,670 to the legal modification. Ms. Stephanie Rich made the motion approving payment. Ms. Michelle Landers seconded the motion. Motion carried.
34. Mr. Hord reported he has contacted the Department of Insurance to start the process to obtain D&O Insurance for the Board, as the current coverage expires 12/31/2017.

## New Business

35. No new business.

## Adjournment

36. Mr. Brooken Smith made a motion to adjourn. Mr. Duran Hall seconded the motion. Motion carried.

  
Chairman of the Board